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COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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) D. T. E. 00-41
Investigation by the Department of)
Telecommunications and Energy into whether)
(1) metering, meter maintenance and testing,)
customer billing, and information services)
should be unbundled; and (2) the service)
territories of distribution companies should)
remain exclusive, as required by)
G. L. c. 164, §1B.)
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REPLY COMMENTS OF BAY STATE GAS COMPANY

I. INTRODUCTION

Pursuant to the established procedural schedule, Bay State Gas Company ("Bay State") hereby submits its reply comments concerning the Department of Telecommunications and Energy's ("Department" or "DTE") investigation regarding the extent to which metering, billing, and information services ("MBIS") associated with electric service should be provided on a competitive basis in the natural gas industry.

As discussed in Bay State's initial comments submitted in this proceeding, it would be inappropriate for the Department to initiate MBIS unbundling for gas utilities for three primary reasons. First, the Massachusetts Legislature's directives that guide the Department's investigation are limited to the electric industry. Second, given that the status of unbundling in the natural gas industry is still unsettled, it would be premature to engage in an investigation of competitive MBIS for gas utilities at this time. Third, the requisite showing that MBIS unbundling would result in cost savings to customers has not been made. In addition, after careful review of the comments submitted by other entities participating in this proceeding, Bay State submits that no persuasive argument has been set forth that would allow the Department to conclude otherwise.

II. COMMENTS

Bay State wishes to take this opportunity to briefly respond to certain points made in the initial comments of several other entities involved in this proceeding. Specifically, a few commenters suggested that the Department advocate legislative changes to allow issuance of a single bill by marketers for both distribution and commodity services, as well as changes to how payments are apportioned to billing accounts where services are provided by more than one entity (i.e., a regulated gas or electric distribution company and a retail marketer).

A single customer bill produced by marketers would pose significant and costly problems for local distribution companies ("LDCs"). For example, LDCs utilize the billing process as an effective direct link for communicating important information to their customers on issues such as low-income rate availability, consumer protection information, safety issues, emergency telephone numbers, price changes, and consumer education materials. By including messages directly on the bill itself as well as in corresponding bill inserts, LDCs are able to cost effectively draw customers' attention to such important issues. Breaking this established, direct link between customer and LDC would also likely impair the LDCs' ability to comply with the Department's existing consumer protection regulations as well as the Department's ability to enforce those regulations. Therefore, taking away the LDC's primary means of communicating with its customers would seriously undermine their ability to effectively provide integral customer services and diminish the effective enforcement of important consumer protection policies and regulations.

Bay State reasonably believes that turning over the billing function to marketers likely would result in additional, unnecessary costs that will ultimately be borne by its customers. By allowing marketers to handle the billing function, they would also become the primary source for collection efforts for overdue accounts. Based upon Bay State's extensive experience in the collections and credit arenas, Bay State respectfully submits that not all marketers will be adequately experienced or equipped to match the success rate of this part of the established LDC operation. Moreover, empowering unregulated relatively inexperienced entities with primary management of commodity and distribution receivables would curtail the impact of the Department's rules and regulations in this area.

III. CONCLUSION

As noted in Bay State's initial comments, Bay State is currently operating under the terms of a rate freeze and service quality plan. If Bay State is deprived of critical tools that affect its ability to maintain meaningful communications and relationships with its customers, its corresponding ability to meet service quality commitments may be adversely impacted.

Finally, Bay State wishes to point out that even as the natural gas markets move forward with retail competition, local distribution companies will continue to play an important role in providing key services to new and existing customers and cannot do so in an effective manner if deprived of the opportunity to maintain and enhance customer relationships.

Bay State appreciates the opportunity to offer its views concerning the Department's investigation.

Respectfully submitted,

BAY STATE GAS COMPANY

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